

UTAH POSTRETIREMENT EMPLOYMENT RESTRICTIONS

JULY 2015

WHY POSTRETIREMENT EMPLOYMENT RESTRICTIONS?

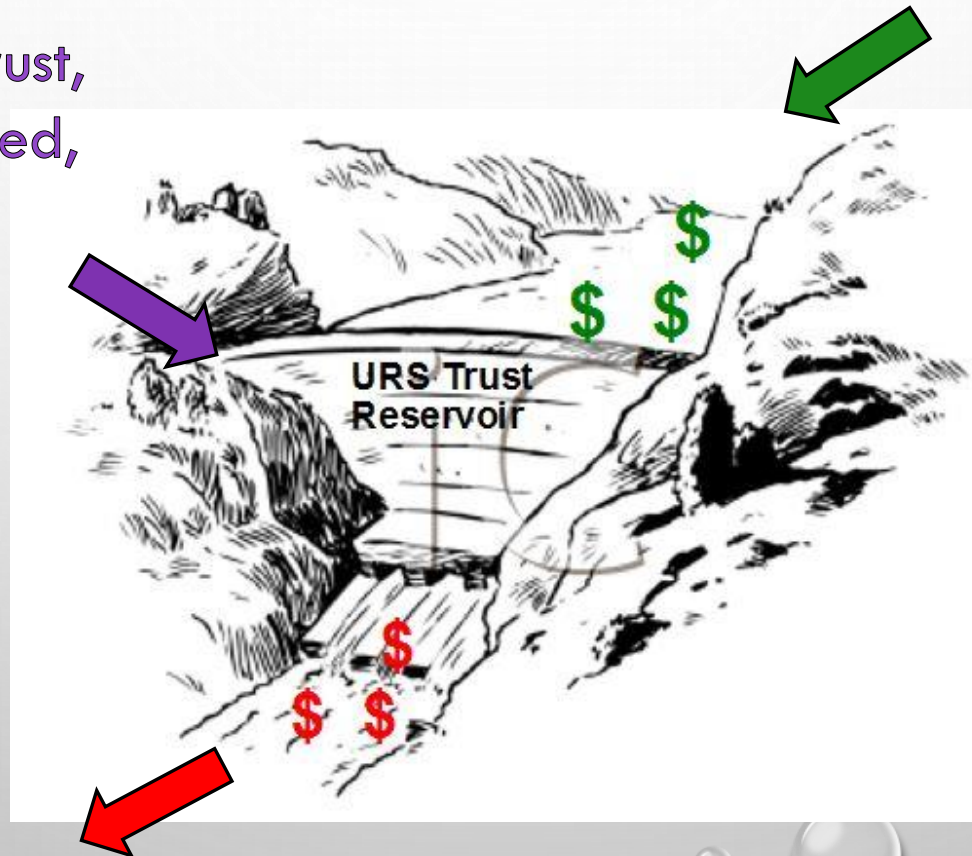
Restrictions are used to help keep retirement costs down

- Reduce incentives to retire immediately upon reaching eligibility.
- Extend the pay-in period for contributions and investment earnings.
- Decrease the pay-out period for retirement allowances.

UTAH RETIREMENT SYSTEMS

LIKE A RESERVOIR OF SHARED FUNDS FOR MEMBERS...

1. Funds are held in trust, professionally managed, and invested.



2. Employer and employee contributions are deposited each pay period during working years; fund investment returns are also added.

3. Funds are paid out monthly by formula, during retirement years.

ACTUARIAL CALCULATIONS

The systems must be maintained on an actuarial sound basis

- Actuarial assumptions include actual and projected retirement patterns.
- Contribution rates are adjusted to reflect actual and projected costs.
- The legislature will need reliable cost data for any proposed significant policy changes.

WHAT ARE UTAH'S POSTRETIREMENT EMPLOYMENT RESTRICTIONS?

- General Restriction: (No double-dipping) – while collecting a retirement allowance a retiree may not:
 - Earn additional retirement service credit; or
 - Receive any retirement-related employer contribution.
- One-year separation after retirement – from any URS participating employer for compensation.
 - The retirement allowance is suspended, if a retiree violates the one-year separation (certain exceptions apply).

WHAT ARE UTAH'S POSTRETIREMENT EMPLOYMENT RESTRICTIONS? -- CONTINUED

- After the one-year separation, a reemployed retiree (hired full-time) may receive a salary and either:
 - Keep receiving the retirement allowance and forfeit any new retirement contributions; or
 - Cancel the retirement allowance and earn additional service credit, the same as other employees.

WHAT ARE SOME EXCEPTIONS TO POSTRETIREMENT EMPLOYMENT RESTRICTIONS?

- After a 60-day separation, a retiree may be reemployed if the retiree does not:
 - Receive any employer-paid benefits; and
 - Earn more than \$15,000 in any calendar year,
- The one-year separation requirement restarts when this reemployment terminates.

UTAH POSTRETIREMENT EMPLOYMENT RESTRICTIONS

One-year Separation Requirement

Retirement Date

One-year Later

60-day hard
separation



General Restriction

A retiree may not for the same period of reemployment receive a retirement allowance and:

- earn additional service credit; or
- receive any retirement-related contribution from a participating employer.

If a retiree is reemployed within one year, the retiree's retirement allowance is canceled.

Unrestricted Employment

- Private sector employer
- Federal government
- Nonprofit employer
- Other non-URS covered employer

Exempt Reemployment

- Non-URS retiree
- A URS retiree who was reemployed before July 1, 2010 (other restrictions apply)
- After 60 days a retiree who earns no more than \$15,000 per year
- A part-time elected official
- A part-time appointed board member
- An active senior judge or active senior justice court judge
- A disabled public safety officer
- Certain affiliated emergency service workers

Source: Utah Code Section 49-11-505

WHAT ADJUSTMENTS HAVE BEEN MADE TO POSTRETIREMENT EMPLOYMENT RESTRICTIONS SINCE 2010?

- 2011 – allowed reemployment after 60 days if the retiree does not earn more than \$15,000 and does not receive any employer paid benefits
- 2013 – allowed employees who are also part-time elected officials or part-time board members to retire without having to leave office

WHAT ADJUSTMENTS HAVE BEEN MADE TO POSTRETIREMENT EMPLOYMENT RESTRICTIONS SINCE 2010? – CONTINUED

- 2014 – allowed a reemployed public safety retiree to be considered as having completed the one-year separation if the retiree suffered a career ending injury while on duty
- 2014 – exempted an active senior justice court judge and a part-time board member from postretirement employment restrictions
- 2015 – exempted affiliated emergency service workers who do not receive more than \$500 per month in remuneration

EXAMPLES OF ARGUMENTS AGAINST POSTRETIREMENT EMPLOYMENT RESTRICTIONS

- Retirees have expertise and experience that are needed within the state.
- For reemployment after retirement a retiree has to compete with all other job applicants.
- The retirement systems should be funded sufficiently that once a retiree is eligible to retire, the state should not be concerned about what the retiree does next.
- A public safety officer and a firefighter are young persons' professions and their retirement systems allow for a shorter career (20 to 25 years), so the state should accommodate a second career for these groups.
- Out-of-state retirees have no reemployment restrictions in the state giving them an advantage over in-state retirees.

CONCLUSIONS

- Postretirement reemployment restrictions are in place to help keep retirement costs down.
- Any change to the current level of postretirement reemployment restrictions is a policy choice for the legislature to decide, some policy options include:
 - Keep current restrictions;
 - Make minor targeted changes as they arise (as in 2011, 2013, 2014, and 2015);
 - Reduce current restrictions and pay any cost increases;
 - Increase current restrictions; or
 - Make other changes.